



## OIL AND GAS LEASE ASSIGNMENT REQUIREMENTS

*This information is provided by authority of Part 5, Section 502, Act 451, P.A. 1994, as amended.*

On September 17, 1999, the Department of Natural Resources (DNR), Forest, Mineral and Fire Management, mailed a notice to all Lessees regarding assignments of interests in State Oil and Gas Leases. This notice outlined specific changes in the assignment approval process that included mandatory use of an updated State of Michigan Oil and Gas Lease Assignment form. The following information further updates the revised process and requirements as of December, 2003:

1. **All** assignments of working interests in State Oil and Gas Leases must be submitted to the DNR for approval.
2. The DNR will process (return approved or return unapproved) all submitted assignments within 30 days of receipt. The requirements for full assignments differ from those of partial assignments.
  - a. Two originals must be submitted for **full** assignments. Both documents will be executed by the DNR upon approval, and **one original will be returned**. The remaining original will be retained in the DNR files.
  - b. A single photocopy duplicating the original assignment should be submitted for **partial** assignments. You will be notified by the DNR within 30 days of receipt of the partial assignment if the assignment is not approved. If you are not notified otherwise within the 30-day time period, you can assume that the partial assignment has been approved by the DNR. The DNR **will not return an approved copy of partial assignments to you unless two copies are submitted**. The submitted copy, if approved, will be retained in the DNR files where it can be viewed.
3. Assignments submitted to the DNR for approval must:
  - a. Be submitted on the revised State of Michigan Oil and Gas Lease Assignment forms. For assignments of a single State Lease, use Form No. PR 4301 (Rev. 08/12/2003). For assignments involving multiple State leases, use Form No. PR 4302 (Rev. 06/23/2003). Assignment forms are available from the DNR, Forest, Mineral and Fire Management, or can be obtained electronically from the DNR web site at <http://www.michigan.gov/dnr>. The forms are located within the "Mineral Leases" section of "Sales and Leases". Print on legal sized paper, two-sided if possible.
  - b. Pertain to the assignment of working interests in State of Michigan Oil and Gas leases only, and cannot include assignments of private leases, personal property, pipeline or other utility easements, overriding royalty interests, net revenue interests, etc. and **cannot** be made "subject to" any other agreements or conveyances between parties.
  - c. Be submitted with full payment of the assignment fee, which is currently \$25.00 per lease per assignment for full assignments, and \$10.00 per lease per assignment for partial assignments. Checks must be made payable to the "State of Michigan."
  - d. Represent a separate assignment of working interests in a State lease or leases from a single Assignor to a single Assignee. No assignments from or to multiple parties will be accepted.
  - e. Be specific as to what interests are being assigned. For example, if you own 50 percent in a State lease and assign 25 percent, you must be sure to indicate whether this means 25 percent of the entire lease or only 25 percent of your interest (25 percent of 50 percent is only 12.5 percent of the lease).
  - f. Specifically identify the legal description of the lands affected by the assignment (including County, Town, Range, Section, and description).
  - g. Include signatures of all parties to the assignment. "Acceptance by Assignee" clause must be properly signed, dated, and notarized. All parties and notaries must have their name printed or typed legibly directly below each signature.
4. The Assignment of State Oil and Gas Lease(s) forms have a boxed section at the bottom of the front page. This section requires the Assignor to identify whether the assignment constitutes a "full" or "partial" assignment. For purposes of completing this section correctly, it is important that the Assignor knows the identity of the Lessee at the time that the assignment is made. There is only one Lessee, or responsible party, for each State lease.
  - a. A "full" assignment involves (1) the full transfer of 100 percent interest that is held by the Lessee in the lease, or (2) a full transfer of 100 percent interest that is held by the Lessee in a specified legal description in the lease, or (3) the transfer of the Lessee's remaining interest in the lease, or (4) the transfer of any of Lessee's interest to a party who agrees to accept the responsibility of Lessee for all interest holders of the lease for all formations. A "full" assignment requires the transfer of responsible party (Lessee) status to another legal entity, or the current Lessee will remain the responsible party for the lease.
  - b. A "partial" assignment is any assignment where the Lessee assigns less than 100 percent of the working interest in a lease or portion of a lease, and/or any assignment made by an interest owner that is not the Lessee.

5. Proof of legal entity is required for every Lessee of a State lease and must be submitted to the DNR if requested. This may be in the form of one of the following documents:
  - a. Individual – Proof of legal age (copy of Driver's License, Birth Certificate, or passport).
  - b. Company or Corporation – A "Certificate of Good Standing" which may be obtained from the Commercial Services & Corporations of the Department of Labor & Economic Growth, P.O. Box 30054, Lansing, Michigan 48909-7754, telephone (517) 241-6470.
  - c. Persons Doing Business Under an Assumed Name – A "Certificate of Persons Conducting Business Under an Assumed Name" which may be obtained from the Clerk of the County in which registered.
6. All Lessees of State of Michigan Oil and Gas Leases must have a lease performance bond on file with the DNR. Full assignments will not be approved until the new Lessee has filed the required bond. The amount of bond required is dependent upon the number of State mineral acres the Lessee will have under lease once the assignment has been approved. A bond form can be obtained from Forest, Mineral and Fire Management of the DNR. The bond required of a new Lessee will be in accordance with the following schedule:

<u>Acres Under Lease</u>	<u>Amount of Bond Required</u>
0 – 5,000	\$10,000.00
5001 – 10,000	\$25,000.00
10,001 – unlimited	\$50,000.00

Any assignment submitted for approval that does not meet the criteria outlined above, will be returned unapproved. Contact DNR staff for further information at (517) 335-3242. TTY/TTD: 711 (Michigan Relay Center)

**NOTE:** For assignments to and/or from non-corporate entities (individual investors), please contact the DNR at (517) 335-3242 for further instructions regarding the proper notary block.

**ASSIGNMENTS SHOULD BE MAILED TO:**

**ATTN: MINERAL AND LAND MANAGEMENT SECTION  
FOREST, MINERAL AND FIRE MANAGEMENT  
MICHIGAN DEPARTMENT OF NATURAL RESOURCES  
PO BOX 30452  
LANSING MI 48909-7952**